



**CITY OF SCOTTSDALE
TOURISM DEVELOPMENT COMMISSION
REGULAR MEETING**

Tuesday, March 19, 2013

**Pinnacle Conference Room at Human Resources
7575 E. Main Street
Scottsdale, Arizona 85251
APPROVED MINUTES**

PRESENT: Kathleen Glenn, Vice Chairwoman
Ace Bailey, Commissioner
Tom Enders, Commissioner
Ren Hirose, Commissioner
Robert McCreary, Commissioner
David Scholefield, Commissioner

ABSENT: Michael Hoffmann, Chairman

STAFF: Steve Geiogamah
Holli Shannon
Lee Guillory
Kroy Ekblaw
Cindi Eberhardt
Madeline Clemann

GUESTS: Guy Phillips, City Councilman
Rachel Pearson, SCVB

1. Call to Order/Roll Call

Noting the presence of a quorum, Vice Chairwoman Glenn called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:02 a.m.

2. Approval of Minutes

- February 19, 2013 Meeting

**COMMISSIONER BAILEY MOVED TO APPROVE THE MINUTES OF THE
FEBRUARY 19, 2013 TOURISM DEVELOPMENT COMMISSION MEETING.
COMMISSIONER HIROSE SECONDED. THE MOTION CARRIED BY A VOTE OF
SIX (6) TO ZERO (0). CHAIRMAN HOFFMAN WAS ABSENT.**

3. Staff Liaison's Report

a. Staff Bed Tax Collection Report

Mr. Geiogamah reported that January bed tax collections were strong, increasing 23% over the prior January. This includes two late payments from November totaling \$150,000. Even without factoring in those late payments, the bed tax was up 12% for the month of January. Miscellaneous retail sales tax was up 6%, and continues to trend upward at 4% for the year. Restaurant sales tax was up 1%. Resort properties were relatively flat through December YTD. Full service hotels were up 5.4%, and limited service hotels were flat.

b. Bed Tax Proforma

Lee Guillory reviewed the most recent changes to the proforma. The FY2012/13 estimate column was changed to reflect the amount expected to be spent on the capital portion of the revenue. It shows the WestWorld debt service payment of \$600,000. The TNEC debt service payment now shows the \$588,000 in actual debt issued in the first year. The remainder is reflected in the carryover balance. Dollar amounts for TPC and other capital commitments have been moved to the carryover, since that debt has not been issued yet. She explained that additional revenues are reflected in multi-year commitments to the capital wedges, and not in the administrative and event categories, which are fixed dollar amounts set by City Council. Administration is set at \$500,000 per year, tourism events at \$1.2 million, and the General Fund allocation is \$1.5 million.

In response to an inquiry by Vice Chairwoman Glenn, Ms. Guillory explained that future commitments are shown in the notes section. For FY2013/14, the bed tax has one \$600,000 multi-year commitment, and one \$700,000 multi-year commitment available. The Commission has recommended that City Council commit \$600,000 towards the DDC. City Council has not addressed what would happen in the event of a major downturn. A capital swing piece of \$500,000 cannot be committed to multiple years, but could absorb smaller downturns. Mr. Geiogamah added that the Strategic Plan recommends creating a reserve from the City's portion of the bed tax to use in such a case.

Ms. Guillory stated that \$3.7 million is available in unspent funds from the current year, and \$3 million is available from the prior year. City Council has already allocated \$2 million towards TNEC, and \$110,000 towards trolley expenses. They also approved using some of the carryover to fund the debt service reserve for the Museum of the West, and a five-year match of up to \$400,000 per year towards museum donations. This leaves \$1.7 million of unallocated carryover.

Vice Chairwoman Glenn requested the addition of another column to indicate future allocations. Commissioner Scholefield suggested the proforma indicate specific Super Bowl and BCS game annual allocations by year.

c. Smith Travel Report

Mr. Geiogamah reported that occupancy is up 5% for January. The average daily rate is \$175.55. RevPar is \$124.33. Group market occupancy is up 4.2%, while Group ADR is flat, and Group RevPar is up 3.7%.

Commissioner Hirose said the biggest first quarter challenge was the cold weather. April looks to be a better month. Commissioner McCreary noted that early Easters typically have a negative impact on attendance at the end of spring training. Commissioner Scholefield said the first quarter at Fairmont Scottsdale Princess was boosted by the new ballroom. Group business looks strong for the year. Commissioner Enders said golf was greatly impacted by the cold weather, but March has seen an improvement.

d. Program Updates

1) Trolley Program

Madeline Clemann reported that March is the strongest ridership month because of Cactus League business, but overall ridership for the season will likely be level with last year. The City has ordered 21 new vehicles for transit, which would cover a new route to the Airpark for the entire year, but is not enough to cover the hospitality routes. It has been difficult to keep the current trolley fleet on the road because of mechanical problems this year. The first new vehicle will be operational in September. The Transportation Department does not consider the hospitality trolley a regular transportation route, because it does not offer community service all year long. If tourism feels seasonal service is important enough, a plan should be developed to fund the program over the long term, rather than continuing to rely on annual funding requests.

Vice Chairwoman Glenn noted that the increased advertising spend did not result in increased ridership. Ms. Clemann said the trolley is used primarily by tourists. If the hospitality route is funded by transportation funds, it would deny the community one whole trolley route for the entire year. Frequency of service on Route 17 to Phoenix had to be reduced, and service was cut on Route 29 to Bell Road in order to balance the budget. Strong ridership numbers depend on consistency of service.

Commissioner Hirose questioned the accuracy of the ridership data, noting that some of the numbers seem surprisingly small on busy days. Ms. Clemann explained that the current vehicles do not have automatic counters. It is easier for drivers to keep track of boardings than departures. New vehicles will have automatic counters linked to GPS. The current system works well, and the margin of error is small. Mr. Geiogamah said a full trolley report is scheduled for the April meeting. Commissioner Scholefield noted that data could reveal whether a correlation exists between daily hotel occupancy and daily trolley ridership.

4. WestWorld TNEC Event Sales & Marketing RFP Update

Mr. Geiogamah presented two reports. The first focused on new events that have already either been contracted or are prospective. The projected attendance numbers

are based on input from WestWorld and the larger event producers. Projected revenue numbers reflect only that portion of the revenue generated by the TNEC property, including fees, bedding, food, and rental. The second report focuses on existing events.

Vice Chairwoman Glenn requested clarification between new events that were brought in because of the expansion, and existing events that have signed new contracts. She noted that 28 of the 41 events between January and June were local attractions, not tourist draws. Thirty-two of the 41 events are equestrian in nature. The Horse and Horsepower event successfully diversified its appeal and will attract a bigger audience because of it. The TDC wants to see a more diverse range of event offerings at TNEC. Mr. Geiogamah said most of the event contracts are for only one year, which provides TNEC with ample opportunity to accommodate larger, multi-day events in the future. Vice Chairwoman Glenn also requested a comparison of revenue projections versus actuals.

Commissioner Enders noted the large number of events that generated small revenue, and questioned whether it was even worth the effort to book them. Commissioner Scholefield said as more small events get blocked, they will eliminate the opportunity to attract multi-day events. The sales and marketing management at TNEC is becoming a real concern, and he requested more information on the plans for improving their performance. TNEC continues to take money from the bed tax. Either the City has to accept that it will continue to lose money, or it must look at changing the way it operates.

Mr. Geiogamah noted that the last economic impact report on WestWorld was done in 2004, and the TDC might consider initiating one to address their concerns. Commissioner Enders said the private sector hires someone to drive revenues when sales are down, and WestWorld needs someone to take proactive steps to generate new business, not just wait for it to materialize. Commissioner Scholefield noted that having the words "Equestrian Center" in the name works against attracting non-equestrian events.

5. Desert Discovery Center Phase III Update

Kroy Ekblaw briefly reviewed the 15-year history of the Desert Discovery Center idea. The DDC Phase II Committee consisted of two representatives from each of the Tourism Development Commission and the McDowell Sonoran Preserve Commission. The City hired Swaback Partners to put together a report providing greater definition of the concept, concept design, market survey and concept testing, preliminary costs, parking and acreage impacts, and an extensive business and marketing plan. The site analysis focused on the Gateway trailhead area just north of Bell Road on Thompson Peak Parkway.

Mr. Ekblaw said the design concept centers around a group of pavilions that would allow people to move between indoor and outdoor spaces, integrating the visitor with the desert as much as possible. The intent is to produce a facility that is very much in harmony with the topography and the natural environment using native plant materials, natural lighting, view walls, and transitional spaces. One idea is for an immersive theater experience to tell stories that relate to the desert for people who may not have the time or the ability to fully immerse themselves in the McDowell Sonoran Preserve.

The exhibits would educate visitors and residents on the plants, animals and cultures of the desert. The buildings themselves would be used to demonstrate sustainable development strategies.

Mr. Ekblaw said the estimated project cost of \$74 million includes one year of pre-opening startup costs and the first year of operating endowment. The full 585-page report is available online. City Council opted to move forward with a DDC Phase III Committee, consisting of individuals with experience in museum operations, non-profit startups, and fundraising. They recommended that City Council move forward with a search for an operator who could raise \$25 million from the private sector, and commit to covering the annual operating costs. The City released a Request for Qualifications that received no applications.

Mr. Ekblaw reported that the Phase III Committee has reconvened to review a number of potential sites, including the Gateway, and to recommend formal action to designate one site as the preferred location. A downtown portal could inform visitors about the Preserve and the DDC and describe the recreational and educational opportunities available there. Mr. Ekblaw said he would return in May to report on the results of the location analysis.

Commissioner Hirose inquired whether a project timeline has been established yet. Mr. Ekblaw explained that a timeline is largely dependent on input from an operator. Commissioner Bailey asked about the challenges facing the current site. Mr. Ekblaw responded that members of the MSPC have expressed concern that development at the Gateway site would impact the Preserve and compromise its core purpose. They are not concerned with the concept itself, just the location within the Preserve boundary, which places significant restrictions on the activities that can take place there.

Commissioner Scholefield said much has changed in Scottsdale since the DDC was first proposed, and the longer the project is delayed, the more outdated the study becomes. He inquired whether the City owns any of the alternative sites. Mr. Ekblaw said three are owned by the City, one is private, and others would rely on State land purchases.

Vice Chairwoman Glenn queried whether the Preserve Ordinance could be amended. Mr. Ekblaw explained that amendments are a sensitive topic, since many feel it would open a Pandora's box of issues. Removing a parcel from the Preserve would require a vote of the public. Vice Chairwoman Glenn noted that much time and effort has been spent on the current study associated with the Gateway, and that moving to a new site would require starting over with a new study. Mr. Ekblaw said the planning work was conceptual in nature, done for the purpose of helping Scottsdale better understand and define the DDC. The same concept could apply to other sites. The site analysis should only take a couple of months.

Commissioner McCreary asked whether smaller versions of the DDC have been considered. Mr. Ekblaw responded that a visitor center facility was considered but not seen as a tremendous benefit for tourism. The concern with phasing is that the DDC could open with major elements missing, and early visitors might never return, even after new amenities are added. Commissioner Bailey inquired about the RFQ release. Mr. Ekblaw explained that a wide range of options was targeted and the RFQ did generate interest, but the first step was viewed as too challenging. The concept can be

retooled to incorporate more of a research focus, which could attract an educational partner.

6. FY2013/14 Preliminary Destination Marketing Guide

Rachel Pearson, Vice President of Community & Government Affairs SCVB reviewed the draft of the Destination Marketing Program Guide. The TDC will be asked to formally recommend the guide in May for City Council approval in June. The budget is projected to be fairly flat next year. The SCVB looks to maintain consistently strong programs while exploring new initiatives. Research is key to understanding why the market is not recovering as it should be. Local golf courses will provide data on booking trends. Understanding the golf visitor helps identify the most efficient way to reach them.

Ms. Pearson said the SCVB will be doing more seasonal campaigns. The New York subway campaign this year has been tremendously successful, and more of these creative approaches will be explored. Preparations for Super Bowl 2015 must begin now if Scottsdale is to maximize its television exposure. The SCVB is continuing to look for ways to attract group business during the off-peak season. Familiarization tours are an important tool. Partners are being sought to help implement the Tourism Strategic Plan. Vice Chairwoman Glenn felt that the goals should be more aggressive. Ms. Pearson responded that typically the goals are set according to the available funding, but added she would share that concern with the SCVB.

7. City's Event Funding Programs

Mr. Geiogamah noted that Commissioners Scholefield and Enders met with staff to identify potential changes to the Tier Event Program, the Community Event Program, and the New Event Program. Under the proposal, each event will be required to conduct an event intercept survey at their cost. An update will be provided to City Council's Economic Development Subcommittee on March 25.

Commissioner Enders said much of the discussion was focused on simplifying the process. The Tier Event Program can apply to new or existing events, but they must include marketed and generated room nights, and must promote Scottsdale. The three tiers would remain the same, and commitments would be reviewed annually. The Community Event Program is vetted by city staff, and no changes are necessary. The New Event Program sees the biggest change. Any event receiving funds from the program for less than four years would qualify, but after that it must go into the Tiered Event Program. New events can request between \$25,000 and \$75,000, but must match that amount. No room night revenue is required for this program, giving them three years to build up to the Tier Program, which does. New events can approach with a request at any point in the year.

Vice Chairwoman Glenn suggested that descriptions of the three programs be included in introductory packets so that event producers can understand the differences. Commissioner Bailey asked what would happen when an event that has been in existence longer than three years submits their first application. Commissioner McCreary said it should depend on whether or not the event is looking to grow

substantially, or just stay the same size. Commissioner Enders said the Commission would decide which program it would fall into. Mr. Geiogamah said a revised proposal will return to the TDC for formal approval in April

8. Fiesta Bowl 2013 Performance Recap

Rachel Pearson said both Fiesta Bowl teams have to be placed in Scottsdale or Paradise Valley properties. The Buffalo Wild Wings Bowl has continued to place at least one of their teams in the Scottsdale area, although there is no obligation for them to do so. Over 6,000 room nights were generated by Fiesta Bowl, resulting in \$1.14 million in room revenue for Scottsdale, not including fans. This year's performance was flat compared to the prior year. Scottsdale's occupancy, ADR, and RevPar was higher than the rest of the Valley during Fiesta Bowl week. The SCVB is working with the Fiesta Bowl to understand what bidding will be like once the BCS restructuring takes place. Commissioner Hirose commented that room night revenue is greatly impacted by which night of the week the Fiesta Bowl game takes place.

9. Identification of Future Agenda Items

Mr. Geiogamah said that in April, the TDC will receive a strategic plan update, a discussion on the P.F. Chang Rock n' Roll Marathon, as well as a continuing report on WestWorld. Vice Chairwoman Glenn requested a discussion on spreading the word about the availability of new event funding. Mr. Geiogamah reported that Chairman Hoffman's term ends in April, and a new Commissioner will be seated by April 9.

10. Public Comment

There were no public comments.

11. Adjournment

The meeting adjourned at 9:48 a.m.

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